

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 INR-05 CIAE-00
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R 121212Z JAN 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 9784
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMCONSUL OPORTO
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
USMISSION NATO
DIA WASHDC
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 0297

LIMDIS

E.O. 11652: XGDS-4
TAGS: PINT, PO
SUBJ: CONVERSATION WITH MARIO SOARES ON POLITICAL
DEVELOPMENTS

REF: A) LISBON 0221 (DTG 101427Z JAN 77), (B) LISBON 0283
(DTG 111734Z JAN 77)

SUMMARY: SOARES TOLD ME HIS PROBLEMS WITHIN THE
SOCIALIST PARTY ARE NOW SOLVED AND HE IS READY TO
LAUNCH HIS OFFENSIVE IN LABOR. HE IS WORKING
COOPERATIVELY WITH THE CDS AND WILL TRY AGAIN TO
COLLABORATE WITH SA CARNEIRO DESPITE THE PSD POSITION
ON THE BUDGET. THE DEMOCRATIC PARTIES MUST WORK
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TOGETHER BECAUSE HE ANTICIPATES AN ALL OUT COMMUNIST
OFFENSIVE IN FEBRUARY. SOARES PROMISED TO DEVOTE MORE
ATTENTION IN THE FUTURE TO ADMINISTRATIVE EFFICIENCY IN
HIS GOVERNMENT.

1. AT SOARES' REQUEST I WENT BY LAST NIGHT, JAN 11, FOR
A GENERAL DISCUSSION, MUCH OF WHICH WAS DEVOTED TO THE

CURRENT POLITICAL SCENE.

2. THE SOCIALIST PARTY: SOARES WAS OBVIOUSLY BUOYED UP BY THE SUPPORT GIVEN HIM AT THE RECENT MEETING OF THE NATIONAL COMMITTEE OF THE SOCIALIST PARTY (REFTEL A). HE HAS CUSTOMARILY COMPLAINED TO ME ABOUT DIFFICULTIES WITHIN THE PARTY, BUT HIS ATTITUDE LAST NIGHT WAS ONE OF GREAT CONFIDENCE. I DON'T HAVE ANY MORE PROBLEMS WITHIN THE PARTY, HE SAID.

3. THE LABOR SCENE: THE BIGGEST POLITICAL CHALLENGE, SOARES SAID, IS IN THE LABOR AREA. THE TIME HAS COME TO OPEN THE OFFENSIVE AGAINST THE COMMUNIST-CONTROLLED UNIONS. THE OPENING SHOT WILL BE FIRED JANUARY 12 IN AN ARTICLE BY SALGADO ZENHA PROPOSING PROPORTIONAL REPRESENTATION IN UNION ELECTIONS. THE PS STILL HOPED TO WORK WITH THE PSD IN THE LABOR AREA. I AGREED WITH SOARES ON THE IMPORTANCE OF AN OFFENSIVE IN THIS AREA, REMINDED HIM OF THE NEED TO DEVELOP CADRES, AND TOLD HIM OF THE AFL/CIO PROGRAM PRESENTLY UNDER CONSIDERATION. HE SEEMED PLEASED AT THE PROSPECT OF AFL/CIO ASSISTANCE.

4. GOVERNMENT ADMINISTRATION. WHEN SOARES, TRUE TO FORM, STARTED TO RECOUNT TO ME THE DECISIONS HE WAS TAKING TO MOVE THINGS FORWARD ON THE ECONOMIC FRONT, I INTERRUPTED. I TOLD HIM THAT IF HIS GOVERNMENT FAILED IT WOULD NOT BE FOR LACK OF COURAGE, FOR LACK OF LEADERSHIP, FOR LACK OF FINANCING, OR FOR LACK OF EXTERNAL SUPPORT. IT WOULD BE PRINCIPALLY FOR LACK OF ADMINISTRATIVE CAPACITY. THE
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SOCIALISTS WERE TRYING TO DEVELOP A MODERN COUNTRY WITH ADMINISTRATIVE MACHINERY BUILT BY SALAZAR. DECISIONS MADE BY THE PRIME MINISTER, FOR WHICH HE IS TAKING POLITICAL HEAT, WERE SIMPLY NOT BEING IMPLEMENTED. WE HAD REACHED THE POINT IN OUR AID PROGRAM WHERE WE WERE CONTEMPLATING VERY SERIOUS MEASURES WHICH COULD AFFECT OVERALL SUPPORT FOR PORTUGAL. I KNEW OTHER EMBASSIES FACED SIMILAR PROBLEMS. I CONSIDERED ADMINISTRATIVE INCAPACITY THE MOST SERIOUS PROBLEM SOARES FACED TODAY.

5. THOUGH I HAD DELIVERED THIS MESSAGE TO SOARES BEFORE, THIS WAS THE FIRST TIME HE REALLY SEEMED TO REACT. HE AGREED AND TOOK NOTES WHILE I WAS TALKING, SOMETHING HE VERY SELDOM DOES. HE ARGUED THAT THE COMMUNISTS HAD THOROUGHLY PENETRATED THE GOVERNMENT DURING THE GONCALVES REGIME, INCLUDING SUCH KEY PLACES AS THE PRIME MINISTER'S CABINET AND THE BANK OF PORTUGAL. IT WAS NOT EASY TO CLEAN THEM OUT. BUT HE RECOGNIZED THE JOB HAD TO BE DONE. HE ALSO SAID HE WOULD TAKE STEPS TO TIGHTEN UP ON ADMINISTRATION GENERALLY.

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6. PS-CDS RELATIONS: I TOLD SOARES I HAD HEARD FROM
THE CDS THAT CLOSER COLLABORATION BETWEEN THE TWO PARTIES
SEEMS TO BE EMERGING. SOARES CONFIRMED THIS NOTING THAT
THE CDS "IS A SENSIBLE PARTY" (THE IMPLICATION BEING THE
PSD ISN'T). I NOTED THAT BOTH PARTIES FAVORED AN ECONOMIC
PROGRAM WHICH WOULD STIMULATE THE PRIVATE SECTOR, AND IT
SEEMED TO ME THAT COOPERATION IN THIS AREA WOULD REDOUND
TO THE POLITICAL ADVANTAGE OF BOTH THE SOCIALIST AND THE
CDS LEADERSHIP. SOARES SAID THIS WAS VERY TRUE BUT HE
COULD NOT AFFORD TO IGNORE THE PSD COMPLETELY BY MOVING
TOO CLOSE TO THE CDS.

7. PS-PSD RELATIONS: DESPITE THE IRRITATION CAUSED BY THE
PSD VOTE ON THE PLAN, SOARES SAID, HE WOULD MAKE A NEW
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ATTEMPT TO ESTABLISH A DIALOGUE WITH SA CARNEIRO. HE CONTINUED TO REGARD SA CARNEIRO AS TOO EMOTIONAL FOR A POLITICIAN. FOR EXAMPLE, FOLLOWING THE BUDGET VOTE SA CARNEIRO HAD GIVEN AN INTERVIEW TO A LOCAL NEWSPAPER IN WHICH HE HAD ACCUSED THE SOCIALISTS OF BEING IN THE HANDS OF THE "AMERICAN IMPERIALISTS." (THIS PRESUMABLY REFERS TO THE ARGUMENT USED BY SOARES IN THE DEBATE THAT A CRISIS WOULD AFFECT NEGOTIATIONS ON A FOREIGN LOAN PROGRAM. I HAD PREVIOUSLY MADE A SIMILAR OBSERVATION PRIVATELY TO SA CARNEIRO WITHOUT, HOWEVER, ADVISING HIM HOW THE PSD SHOULD VOTE). FORTUNATELY SOME OF THE COLLIER HEADS IN THE PSD HAD PREVAILED UPON SA CARNEIRO TO WITHDRAW THE INTERVIEW. WHILE IT WOULD BE DIFFICULT TO ESTABLISH A STABLE WORKING RELATIONSHIP WITH SA CARNEIRO, SOARES THOUGH HE HAD TO TRY BECAUSE THE COMMUNISTS WERE LIKELY TO LAUNCH AN ALL OUT OFFENSIVE AGAINST THE GOVERNMENT IN FEBRUARY AND THE SOCIALISTS NEEDED THE SUPPORT OF ALL THE DEMOCRATIC PARTIES.

7. COMMENT: SOARES IS BY NATURE AN UPBEAT PERSONALITY BUT I FOUND HIM MORE CONFIDENT THAN USUAL LAST NIGHT. THIS IMPRESSION WAS CONFIRMED EARLIER IN THE DAY BY HIS NORMALLY PESSIMISTIC ASSISTANT VICTOR CUNHA REGO (REFTEL B). SOARES HAD HIS USUAL PRAISE FOR PRESIDENT EANES. HIS RELATIONSHIP WITH EANES, THE MUNICIPAL ELECTIONS, THE VOTE ON THE BUDGET, THE MEETING OF THE PS NATIONAL COMMITTEE, AND, I DARESAY, THE AMERICAN LOAN AND THE PROSPECTS OF A CONSORTIUM, HAVE ALL COMBINED TO GIVE HIM A BETTER OUTLOOK ON LIFE.
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